

-- is an unwanted and unnecessary change suggests that Manhattan Cable and Paragon should undertake measures to make that change as palatable as possible for consumers.

We believe that additional measures are particularly appropriate in that the cable operators, unlike subscribers, will experience only positive results from the converter boxes and signal scrambling. They will increase revenue by reducing theft, cut costs by decreasing home visits by technicians, and generate additional pay-per-view usage. The operators should be willing to share these benefits with their customers by taking steps to mitigate the adverse consequences that some subscribers will experience. We recommend the following specific measures:

- Establish a "Hot Line" number for subscribers with converter box or signal scrambling questions, staffed by specially trained personnel;

- Offer at least two home visits, free of charge, to teach subscribers how to operate the converter box with their television sets and VCRs;

- Advise major electronic retailers of compatibility problems and provide consumer friendly documentation containing appropriate warnings;

-- Eliminate the two-dollar monthly charge for the remote control device, since it otherwise will require many subscribers to pay for a capability they previously enjoyed without charge; ***

-- Develop both written and video consumer guides specifically designed to address the equipment compatibility issues associated with the converter box; and

-- With respect to Paragon, have converter box installment personnel hand subscribers a notice which, in clear and bold writing, states that a twenty-five dollar deposit applies to the converter box.

At the Messinger hearings held in April, numerous Manhattan cable consumers voiced anger over the introduction of the converter box technology and signal scrambling. The Department of Telecommunications and Energy has received many phone calls and letters from consumers expressing similar sentiments. As the phase-in of converter boxes for the Manhattan systems continues, we anticipate that these concerns will mount. Accordingly, we strongly recommend that these steps be taken by Paragon and Manhattan Cable as soon as possible.

*** / Manhattan Cable and Paragon advised DTE on October 25, 1991 that they would be eliminating the Standard Service, two-dollar monthly charge for remote control devices as of December 1, 1991. Unfortunately, however, those companies are simultaneously increasing the Standard Service rate by the same two dollars per month. This transparent manipulation of rates was not what we had in mind in calling for the elimination of the remote control charge.

Long-Term Equipment Compatibility

It is evident that the cable and consumer electronics industries have attempted, to some degree, to coordinate developments in their respective technologies in order to promote compatibility. The Joint EIA/NCTA Committee has provided a vehicle for exchange of pertinent information and, in some cases, the establishment of industry standards.

The Joint Committee's efforts, however, have failed to prevent the simultaneous development of a confusing array of cable equipment and consumer electronics sporting a long list of options and features, with compatibility often incomprehensible for the typical consumer. Indeed, one witness noted that many Americans have not mastered the most basic VCR functions that permit pre-designated recording.

While we agree that, over time, industry refines new technologies to make them more responsive to consumer needs and preferences, we believe that greater inter-industry cooperation can produce improvements in the area of equipment compatibility. The very existence of the Joint EIA/NCTA Committee demonstrates that the industries themselves recognize that some level of information exchange and cooperation can benefit their customers. It is apparent, however, that the Joint Committee has not succeeded in averting the development of incompatible equipment that in many cases has resulted in the diminution in value of a consumer's investment. Perhaps more significantly, it has made

no effort to help the participating industries to advise consumers of potential compatibility problems associated with certain equipment purchases.

Not all developmental issues can be solved by dialogue and cooperation. We believe, however, that more extensive participation by the federal government would encourage the cable and consumer electronics industries 1) to enhance their efforts to establish compatibility standards where possible, 2) to exchange pertinent information on research into new technologies, and 3) to assure that the public understands the ramifications of investing in various cable or television-related products. A heightened FCC focus on this area is particularly important with such developments as interdiction, High Definition Television, and interactive cable now on the horizon.

We recommend, therefore, that the Federal Communications Commission expand its efforts to promote inter-industry cooperation on the development of cable and consumer electronic equipment. It would seem that such an increased involvement could occur in association with the existing Joint Committee or through a newly-organized working group; the critical factor is federal monitoring and support for the appropriate setting of standards. Local governments should also be responsible for participating in this public/private initiative since they are generally the recipients of consumer complaints and inquiries

regarding cable. The FCC letter submitted in connection with this hearing indicated an interest in pursuing an enhanced inter-industry group, and we recommend, based on the testimony provided, that the Commission proceed with the formation of such a group.

APPENDIX B